

VZCZCXRO0122
RR RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHPOD RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHAK #1315/01 1501444
ZNR UUUUU ZZH
R 301444Z MAY 07
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 2313
INFO RUCPDO/USDOC WASHDC
RHEBAAA/DEPARTMENT OF ENERGY WASHDC
RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHUNV/USMISSION UNVIE VIENNA 0154

UNCLAS SECTION 01 OF 02 ANKARA 001315

SIPDIS

USDOE FOR CHARLES WASHINGTON
USDOC FOR 4212/ITA/MAC/CPD/CRUSNAK
STATE ALSO FOR EB/CBA FRANK MERMOUD

SENSITIVE
SIPDIS

E.O. 12958: N/A
TAGS: [ENRG](#) [EINV](#) [BEXP](#) [TU](#)
SUBJECT: TURKISH PRESIDENT VETOES NUCLEAR ENERGY LAW

REF: A) ANKARA 1177

B) ANKARA 1121
C) 06 ANKARA 6056

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

11. (SBU) SUMMARY: On May 8 the Turkish Parliament passed the long pending Nuclear Energy Law, but on May 24 President Sezer vetoed the legislation based on a few technical provisions concerning privatization and government obligations. Even in the unlikely event that the parliament overturns the veto and the draft law survives potential legal challenges, Turkey still faces many obstacles in implementing its decision to add nuclear power to its energy mix, including clarifying the government role, getting the public on board, establishing an appropriate regulatory authority, and dealing appropriately with environmental issues and nuclear waste. Having burned their fingers in earlier attempts to establish nuclear power plants in Turkey, American companies have responded cautiously. Cooperation on regulation or other technical aspects of nuclear power technology are still impeded by the hold up with respect to the bilateral Agreement on Cooperation on Peaceful Uses of Nuclear Energy. End Summary.

12. (SBU) BACKGROUND: Although Turkey has rich uranium reserves and a nuclear power plant has been on the agenda of the Government since the early 1960s, Turkey does not have any nuclear power plants in operation or under construction. Despite lengthy research, detailed preparation efforts, and tender processes for previous government attempts in 1960, 1968, 1974, and 1998 such projects, all failed for different reasons, including "NIMBY", environmental concerns, and tender irregularities. Having gone far down the road in previous attempts, U.S. firms General Electric and Westinghouse are very cautious. The government has determined that Sinop, a province on the Black Sea coast, is the best location for a first nuclear power plant in Turkey's current plan to build three reactors totaling 5000 MW.

Parliament Passes Nuclear Law - But President Vetoes

13. (U) On May 8, the Turkish Parliament adopted a Nuclear Energy Law designed to attract private investments to Turkey's nascent nuclear sector. The President took his full review period and vetoed the legislation on May 23, citing technical constitutional objections with three sections related to government obligations and privatization methodology. The Parliament may send the law back to the President with or without making amendments. In such a second submission, the President would not have a right of veto, but could

refer the law to the Constitutional Court. However, it seems unlikely that Parliament will act before it dissolves on June 3 in the run-up to the July 22 elections, creating another unfortunate delay.

¶4. (U) The draft law established the legal basis for the construction and operation of nuclear power plants with an emphasis on encouraging the private sector to take the lead. The GOT has determined that developing a nuclear generation capability is necessary to meet fast growing electricity demand, which is expected to exceed supply within the next few years. The law would create processes and procedures for licensing private companies to build and operate plants after evaluation by the relevant ministries and public entities, including the Ministry of Energy (MENR).

¶5. (SBU) The law would have authorized TAEK to determine criteria for private companies to qualify as builder/operators of nuclear facilities. Any company meeting those criteria would make a proposal to the GOT, which, the draft law states, should focus on financial considerations in approving proposals. The law would provide that proposals can include requests for government purchase guarantees. In a meeting with Ambassador (Ref B), Energy Minister Guler described this as a simple transparent process that would minimize opportunities for corruption that has hindered previous energy initiatives in Turkey.

¶6. (U) The draft also provided that a decommissioning fund and a national radiological waste fund be established to meet costs associated with the construction, licensing and operation of the temporary and permanent waste storage facilities, transport and processing of waste, research and development studies related to nuclear waste management, and eventual dismantling of the nuclear power plant. President Sezer cited this provision as creating an undue and unconstitutional burden on the Treasury.

¶7. (SBU) The law also would have empowered the Council of

ANKARA 00001315 002 OF 002

Ministers, MENR, TAEK and the energy regulator (EMRA) to regulate and supervise the implementation and supervision of certain provisions of the law. For example, the authority to determine the principles and procedures for the selection of authorized companies rests with the Council of Ministers, while the authority to prepare and conduct the selection process of authorized companies is granted to MENR. Initially, TAEK would be the regulatory authority in the nuclear energy sector. EMRA, which is the regulatory authority in the electricity, natural gas, petroleum, LNG and renewable energy sectors, would not have any regulation or supervision authority with regard to nuclear power plant operators. The law however foresees creation of a new regulator analogous to the U.S. Nuclear Regulatory Commission.

¶8. (SBU) COMMENT: While the President has often opposed AKP government initiatives and opposed economic liberalization measures on nationalistic grounds, some observers expected him to support the nuclear legislation. The President vetoed the law based on technical provisions, citing constitutional issues and government obligations which may provide a basis for sending the law to the constitutional court if the Parliament resubmits it to him. The political calendar may cause it to be shelved for now, pending a potential new Government. Whether or not the draft legislation eventually becomes law, the Government still faces many obstacles in advancing its nuclear power agenda, including clarifying the Government role, getting the public fully on board, establishing an appropriate regulatory authority, and dealing appropriately with environmental issues and nuclear waste. Since the Government will have to pick the "low-bidder" or the company requiring the lowest Government purchase guarantee, the most qualified company may not necessarily win. The Government has expressed commitment for the private sector to develop nuclear plants, but the new law includes a provision for the state taking it on in the event that the private sector does not step up. Nuclear power is a great opportunity for cooperation with the U.S. NRC on regulation, as well as with U.S. companies, but lack of movement on the bilateral Cooperation in Peaceful Uses of Nuclear Energy remains an impediment.

Wilson